

C E N T R A L I N T E L L I G E N C E A G E N C Y
O F F I C E O F N A T I O N A L E S T I M A T E S

2 April 1957

STAFF MEMORANDUM NO. 20-57

S U B J E C T : The Indian Elections*

(Note: This memorandum has been prepared primarily for noting by the Board. A Board-Staff discussion will only be scheduled upon Board request. [REDACTED] 25X1A9a

1. With the tabulating of ballots now almost over, the Indian national elections appear to be providing no major surprises, and we see no need for going ahead at this time with the supplementary estimate on India tentatively listed in the present Estimates Program. On the basis of almost complete returns, Prime Minister Nehru's Congress Party has retained about 75 percent of the seats in the Lok Sabha (lower house of Parliament). This percentage is almost identical with that achieved by Congress in 1952 general election. Congress also appears to have come close to retaining the 45 percent of the popular vote achieved in 1952. The Communists increased their seats in the Lok Sabha from 16 to 27 (out of 494); but these gains were primarily at the expense of non-Congress groups, including the Praja Socialist Party which has been replaced by the Communists as the largest single opposition party.

2. At the same time, however, the elections reemphasized the point that the Congress Party is an old and often listless organization which leans heavily on Nehru and the comparative weakness of its opponents to win elections and is therefore vulnerable to

* This memo has been discussed with OCI which concurs in substance with it. A more detailed analysis of the elections is scheduled to appear in the Current Intelligence Weekly Summary for 4 April.

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well-organized local attacks. As we indicated in NIE 51-56, "India over the Next Five Years," this general lack of dynamism in the Congress Party, coupled with the serious economic problems confronting the government, is likely to confront the Congress Party with increased difficulties in future elections.

3. On the provincial level, Congress won absolute majorities in 11 out of 13 state assemblies. Its most important defeat was in Kerala, southernmost state of India, where Congress candidates obtained only 43 of the 126 seats. The Communists won 60 seats, and with allied independents, are expected to form the state government. It is generally admitted in India--even by the Communists--that the Kerala vote was more anti-Congress than pro-Communist. Nonetheless, the victory in Kerala brings into power the first popularly-elected Communist government in India and represents the party's greatest advance to date. E.M.S. Namboodripad, who has been given the Communist mandate to form a ministry, is among the most competent of the Communist leaders, and has a good chance of bettering the record of the previous ineffectual Congress government of the state.

4. Congress also failed to achieve a majority in Orissa, a large state on the east coast of India, which is one of the least developed areas of the country. In Orissa, Congress won 56 out of 140 seats. The Ganatantra Parishad, a reactionary local party led by the former Maharaja of Patna, won 51 seats. The balance of power is held by the Communists with 9 seats, the Praja Socialists with 11 seats, and 13 independents. Whether or not Congress will participate in the coalition government which will have to be formed in Orissa is not yet clear, but even if it does, its ability to implement its national policy will be severely handicapped by the power of the rightist Ganatantra Parishad.

5. Congress increased its majorities in the Punjab, Andhra, Madras, and Rajasthan. It appears to date to have held its own in West Bengal. In all other states its majorities are smaller than previously. In Bombay, largest state in India, and center of the business and financial community, the Congress majority in the state assembly fell from 85 percent to 59 percent--chiefly as a result of the bitterness which grew out of the Congress-sponsored linguistic reorganization of the state. Opposition successes will

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probably keep the linguistic issue alive in Bombay and may encourage its revival in other states. The smallness of the Congress majority in Bombay will probably cause the state government considerable trouble in the future and prevent full implementation of national party policy.

6. The Praja Socialist Party, traditionally, the "responsible opposition" in India, failed to elect its parliamentary leader, Ashoka Mehta, and its overall position has been slightly weakened. The Lohia Socialist group, which split off from the other Socialists in 1955, did poorly. The rightist communal parties, with the exception of the Ganatantra Parishad and the Jan Sangh, came off less well than in 1952. Independent candidates did somewhat better. This modest trend toward polarization will probably contribute to the Communist's strength in future contests at the polls. The defeat of numerous well-known Congress leaders, including four central cabinet ministers and over 20 state ministers, demonstrates that the Congress label and national prominence are no longer sufficient to ensure election. Factionalism within the Congress, which was evident during the campaign, cost Congress some seats in the elections, and will add to the confusion which is inevitable when Nehru dies. The lack of dynamism displayed by the Congress in the campaign bodes ill for its future. No new and promising leaders appear to have emerged, and the enthusiasm which may be expected from the several hundred "new faces" among the victorious Congressmen is unlikely to compensate entirely for their lack of experience.

7. The full implications of these developments will not become clear for several months. Much will depend on whether or not the Communists are able to make good in Kerala and as the leading opposition party in the national parliament. If they prove irresponsible, Nehru can impose direct rule by New Delhi on Kerala and isolate the Communist members of the Lok Sabha without difficulty. Thus far, however, the Communist leaders have given every indication of a desire to pursue a responsible course aimed at making a record which can be compared favorably with that of the Congress not only in Kerala but in other areas. If they are successful, public opinion will limit the measures which Nehru can take against them, and their chances of further improving their position in the 1962 elections will be enhanced.

8. At the moment, however, the political problems facing the Congress as a result of the election are less threatening than the economic difficulties in which the Government finds itself. These

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are best reflected in the fall of foreign exchange holdings from \$1,566 million on 1 April 1956 to \$1,129 million on 22 March 1957 (about 27 percent). The drop is particularly impressive since a \$127 million loan from the International Monetary Fund was thrown into the gap in early 1957. Sharp increases in purchases of capital goods at rising prices for the Second Five Year Plan have been mainly responsible for the drop, which has already exceeded the planned drawing down of foreign exchange reserves for the entire 1956-61 Plan period. The economic position is further complicated by the fact that India is still approximately \$1.5 billion short of achieving the foreign aid goals required to carry out the Plan.

9. With the elections over, the Government will be able to concentrate more on its economic problems. Top officials have already indicated that they are prepared to offer attractive conditions to foreign private investment, despite the socialistic nature of the Plan. If such investment is forthcoming in large amounts, and if New Delhi is able to obtain large hoped-for loans from the World Bank, the major goals of the Plan could still be met. Even in this case, however, the Government would have to tighten its belt further at home to counteract the inflationary tendencies which have been stimulated by large scale deficit financing. The placing of additional burdens on the mass of the people whose subsistence standard of living has just begun to rise would almost certainly provoke discontent. Additionally, the Government's freedom of action to deal with the economic problem has been compromised to some extent by its loss of control in Kerala and Orissa and diminution of its majority in Bombay, as well as the increased influence of the Communists in the national parliament. Therefore, insofar as it is possible to estimate at the moment, there seems to be at least an even chance that major cut-backs in the Plan goals or prolongation of the Plan period will become necessary. In this event, Congress' popular support would decline further, and it would be more vulnerable than ever before to attack by the well-entrenched Communist opposition.

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